

Corporate Governance Report

Business dynamics with order and clarity

Let me begin by stating that all Castellum activities should be based on a long-term and customer-driven perspective. Having said that, the topic in focus here will be the annual corporate governance report. Hence, I will commence by looking into the rear-view mirror and highlight some areas that the Castellum Board has given special attention during 2013. Concerning the work of the Board, it is crucial to find the right balance between its two main tasks – to function as a control unit while remaining a dynamic, challenging and supportive driving force within the areas that generate long-term shareholder value.

When it comes to the first task – control – which is sometimes referred to as formalities in a slightly condescending tone, I can proudly confirm that Castellum's DNA and structure are based on "order and clarity". These permeate all Castellum activities and processes, thereby performing as natural hygiene factors. This comes perhaps as no surprise, as Castellum 1994 rose from the chaos and the ashes after the Swedish real-estate crisis. From the chaos rose the key concepts for our culture: meticulous organization and control. Castellum was thus managed in an exemplary fashion: from a corporate governance point of view – long before the term was invented. My personal belief is that competent corporate governance supports the creation of value.

Our business environment and Castellum's operations are, however, constantly changing and we make continuous efforts to improve in this realm as well. One example is that the Board 2014 will establish an Audit and Finance Committee with an expanded field of operations. Within the framework of the Committee, the objective is to allocate adequate time to crucial issues – such as access to finance and risk – without cannibalizing other key issues. This is to be accomplished without taking away the Board's ultimate responsibility for an overview covering all of these matters.

Integrating control issues into the daily work of the company, frees up time for the Board's second key task – to run strategic development, along with Castellum's executive management, with the overall objective of generating shareholder value.

The past year has been both intense and fun – I dare say – and has been a year characterized by progress in the light of unremarkable economic growth and zero inflation.

Before the recruitment process for a CEO in 2012, the Board focused specifically on long-term goals and business environment. This was to sharpen the profile that the winning candidate had to match. At the meeting almost a year ago we welcomed Henrik Saxborn to the role of CEO. This meant continuity but also a gain in tempo.

During 2013, the Board's focus was characterized by a long-term perspective, as well as shorter-term considerations in a complex and dynamic environment. In spring, the CEO and executive management initiated a renewed analysis of objectives and strategies. The Castellum Board consists of a highly dedicated group of individuals who are keen to

contribute to the development of Castellum with their valuable and extensive experiences. Hence, the strategy meeting in early summer became one of the highlights of the year.

The work process included a thorough challenge of Castellum's financial objectives – which had remained unchanged since 2006 – and resulted in these being re-approved by the

Board. The objectives provide a tough and inspiring challenge for cash-flow growth – the very basis for steady and competitive growth of shareholder value. Furthermore, the strategy meeting resulted in new ideas for development, regeneration and fresh activities, all within the framework of previously communicated strategies.

For the purpose of maintaining the Board's capacity to properly support and challenge management, we follow a rolling plan. In the Plan, further studies for crucial company issues, reinforced by hands-on business visits, constitute significant components. The meeting with one of our major customers, Microsoft, was particularly informative. Microsoft – with their highly reputed Swedish headquarters in our property at Akalla – is a leading company in developing their products and work processes. The company sees workplace design as a central and supporting component. Microsoft's premises was appointed as "Sweden's best looking office" and "Great place to work".

Another topic that we also received special attention this year is the remuneration of senior executives. For example, the individually targeted factors within the incentive program framework have been refined to support the Board's value-building priorities. Parameters can be concrete and measurable goals for vacancies, project leasing, investments or sales. The overall outcome of the current incentive program was 68% of the maximum outcome for the annual 2013 portion, and 27% for the three-year share-price-based portion (per year-end reading), which expires May 31, 2014. The Board believes that the outcome is fair when set in the context of goal achievement for cash-flow growth and total return per share. The structure clearly links together the interests of management and shareholders.

To conclude, I'd like to emphasize sustainability in its broadest meaning. This is a prioritized and integral part of all Castellum's business operations. The Board is convinced that sustainability as a guiding principle ultimately creates profitability. The Board is looking forward to the continued pursuit of growth for Castellum's shareholders – in prosperous interaction with management.



January 2014

Charlotte Strömberg
Chairman of the Board in Castellum

Overall Structure for Corporate Governance



Major external regulations

- Swedish Companies Act
- Rules for issuers at NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance

Important internal regulations

- Articles of Association
- Board of Directors' rules of procedures
- Policies for information to the stock market, finance, accounting
- Processes for internal control and risk management
- Code of Conduct

Articles of association

The name of the company is Castellum Aktiebolag and the company is a public limited company. The registered office of the Board is in Gothenburg.

The objective of the company's activities is to acquire, administer, develop and sell real estate and securities – directly or indirectly through wholly or partially owned companies – and to carry out other activities compatible with these. Changes in Castellum's articles of association are made in accordance with the regulations in the Companies Act. The articles of association, which also includes information on share capital, number of board members and auditors as well as rules for summons and agenda for the annual general meeting is available as a whole on the company's web site.

Swedish code for corporate governance

Corporate governance covers the various means of decision making by which the shareholders – directly and indirectly – control the company. Corporate governance has evolved through laws, recommendations, the “Code” (Swedish Code for Corporate Governance), and through self-regulation. It is based upon the comply-or-explain principle, meaning that all rules do not always have to be followed and there is no crime in deviating from one or more particular rules of the Code if there are motives and explanations. The Swedish code for corporate governance is conducted by the Swedish Corporate Governance Board and is found at www.bolagsstyrning.se.

Castellum applies the Code with the purpose of creating good preconditions for taking on the role of active and responsible ownership. The model below describes the overall structure of corporate governance in Castellum AB.

Share and shareholders

The Castellum share is listed on NASDAQ OMX Stockholm AB Large Cap. At year end, Castellum had approx. 12,200 shareholders. Of the total share capital, 38% was owned by mainly Swedish institutions and mutual funds and 62% was owned by foreign investors. Castellum has no direct registered shareholders with holdings exceeding 10%.

The share capital amounts to SEK 86,003,354, distributed among 172,006,708 shares with a par value of SEK 0.50. Each share, except the company's own repurchased shares

of 8,006,708, entitles the holder to one vote and carries an equal right to a share in Castellum's capital. There are no warrants, convertible bonds or similar securities which may lead to additional shares in the company.

Annual General Meeting

The decision-making rights of shareholders in Castellum are exercised at the shareholders' meeting. The AGM (ordinary shareholders' meeting) is held in Gothenburg during the first half-year after the end of the financial year. The annual general meeting elects the board of directors and the company's auditors as well as making decisions on changes in the articles of association and on changes in the share capital.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Castellum board to do so well in advance of the meeting via an address provided on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, regarding certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of votes than the number of votes cast and shares represented at the meeting.

Annual General Meeting 2013

The latest AGM was held on March 21, 2013 in RunAn, Chalmers Kårhus in Gothenburg. At the AGM, 461 shareholders were represented, representing 44.5% of the total number of shares and votes. All members of the board and the company's auditors and the deputy auditor were present at the AGM.

The AGM adopted the financial reports for 2012 and discharged the board of directors and the chief executive officer from liability regarding operations for 2012.

On the AGM on March 21, 2013 the board of directors decided;

- a dividend of SEK 3.95 per share for the fiscal year 2012,
- that remuneration to the members of the board of directors shall be SEK 2,115,000, of which SEK 525,000 should be allocated to the chairman of the board of directors and SEK 25,000 to each other members of the board (including remuneration for work in the audit committee). A separate remuneration committee has been established consisting of three members of the board, including the chairman of the board of directors. Remuneration for work in the remuneration committee should be SEK 30,000 to each member.
- re-election of present board members Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Marianne Dicander Alexandersson, Mrs. Ulla-Britt Fräjdin-Hellqvist, Mr. Christer Jacobson, Mr. Jan Åke Jonsson and Mr. Johan Skoglund. Mrs. Charlotte Strömberg was re-elected as chairman of the board of directors.
- to approve the Board's proposed guidelines for remuneration to members of the executive management,
- to approve a renewed incentive program to the executive management,
- to authorize the Board in order to adjust the company's capital structure and be able to transfer company-owned shares as a payment or financing of real property investments to resolve on the acquisition and transfer of company-owned shares.

Minutes of the annual general meeting held on March 22, 2012 are available on the company's web site.

Election committee

The AGM resolves upon the nomination process for the board of directors and, when appropriate, the auditors. The Annual General Meeting 2013 decided that an election committee should be appointed for the AGM 2014 in order to present proposals for the number of members of the board of directors, election of members of the board of directors, chairman of the board of directors and auditors and remuneration to members of the board of directors and auditors.

The election committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may contact the election committee with proposals for nomination.

The election committee is appointed according to the AGM's decision that the election committee should be established by the chairman of the board of directors that will contact the three largest ownership registered or otherwise known shareholders as per the last share trading day in August and invite them each to appoint one member. The three members appointed constitute, together with the chairman of the board of directors, the election committee. The election committee appoints a chairman amongst its members.

The election committee to the AGM 2014 consists of Mr. Rutger van der Lubbe representing Stichting Pensioenfonds ABP, Mr. Björn Franzon (chairman) representing Mrs. Magdalena and Mr. László Szombatfalvy and Stiftelsen Global Challenges Foundation, Mr. Johan Strandberg representing SEB Fonder and Mrs. Charlotte Strömberg, chairman of the board of directors of Castellum.

Election committee AGM 2014

Representative	Representing	Share of votes August 2013
Rutger van der Lubbe	Stichting Pensioenfonds ABP	approx. 7%
Björn Franzon	Magdalena and László Szombatfalvy and Stiftelsen Global Challenges Foundation	approx. 6%
Johan Strandberg	SEB Fonder	approx. 3%
Charlotte Strömberg	Chairman of the board in Castellum AB (publ)	

Annual general Meeting 2014

For the AGM on March 20, 2014 the board of directors proposes:

- a dividend of SEK 4.25 per share and March 25, 2014 as record day,
- guidelines for remuneration to the executive management,
- a renewed mandate for the Board to decide on purchase or transfer of the company's own shares.

The election committee proposes for the AGM;

- re-election of the present board members Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Marianne Dicander Alexandersson, Mr. Christer Jacobson, Mr. Jan Åke Jonsson and Mr. Johan Skoglund, as members of the board of directors. Mrs. Nina Linander is proposed to be elected as new member of the board of directors. Mrs. Ulla-Britt Fräjdin-Hellqvist, board member since 2003, has declined re-election. Mrs. Charlotte Strömberg is proposed to be re-elected as chairman of the board of directors.
- re-election of the authorised public accountant Mr. Magnus Fredmer (EY). The authorised public accountant Mr. Hans Warén (Deloitte) is proposed to be elected as new auditor. The authorised public accountant Mr. Fredrik Walméus (Deloitte) is proposed to be elected as new deputy auditor,
- that remuneration to the board of directors is proposed to be the following. The board of directors has, following discussion with the election committee, decided

to establish a separate audit and finance committee. The chairman of the board of directors: SEK 585,000, other members of the board of directors: SEK 275,000, member of the board of directors' remuneration committee, including the chairman: SEK 30,000, chairman of the board of directors' audit and finance committee: SEK 50,000, other members of the board of directors' audit and finance committee: SEK 35,000. The proposed total remuneration to the members of the board of directors, including remuneration for committee work, accordingly amounts to SEK 2,445,000 (SEK 2,115,000 previous year).

- that remuneration to the auditors during their term of office is proposed to be based on approved accounts,
- for AGM to decide on appointing an election committee for the AGM 2015 and for the Chairman to contact the three largest registered or in an other way known shareholders at the end of the last day of share trade in August 2014 and invite them each to appoint one member to the election committee, and that the three appointed members together with the Chairman of the Board of Directors shall constitute the election committee. The election committee appoints a chairman amongst its members. The names of the members of the election committee shall be made public no later than six months before the next annual general meeting 2015.

The election committee has held four meetings with minutes where all the issues the election committee are obliged to address according to the Swedish Code for corporate governance has been dealt with. The election committee has discussed, inter alia, (i) to what extent the current board of directors fulfils the requirements that will be imposed on the board of directors as a result of Castellum's business and development phase, (ii) the size of the board of directors, (iii) the different areas of competence that are and should be represented on the board of directors, (iv) the composition of the board of directors with respect to experience, gender and background, (v) election of auditors, (vi) remuneration to the members of the board of directors and auditors and (vii) the procedure for establishing a new election committee for the annual general meeting to be held in 2015. The election committee has further carried out a recruitment process of a new board member. The election committee has also considered the evaluation report of the board of directors' work conducted during autumn 2013, held individual meetings with all board members and has met the new managing director of Castellum, Mr. Henrik Saxborn.

In order to be able to judge the proposed board member's independency in relation to Castellum and its executive management as well as to the larger shareholders in Castellum, the election committee has gathered information on the proposed members of the board of directors.

Finally, the election committee has informed Castellum about the work of the election committee and which proposals the election committee has decided to put forward.

The election committee's proposals are shown on previous page. The proposed board of directors is considered to possess the versatility and competence, experience and background required with respect to Castellum's business, phase in the development and other circumstances. The election committee's proposals means that three of seven board members are woman, including the chairman.

Board of Directors

According to the articles of association, Castellum's Board shall consist of no less than four and no more than eight members. Board members are elected at the annual general meeting for the time until the end of the first annual general meeting held after the year the board member was elected. During 2013, the Board was made up of seven regular members. The Board works according to a set of procedural rules containing instructions on the allocation of work between the Board and the CEO. No board member is entitled to remuneration if leaving the assignment.

New board members receive an introduction of the company and its operations and take the stock exchange's training program according to the agreement with the stock exchange. The Board receives regular information of regulatory changes and issues concerning the operations and board responsibilities for a listed company.

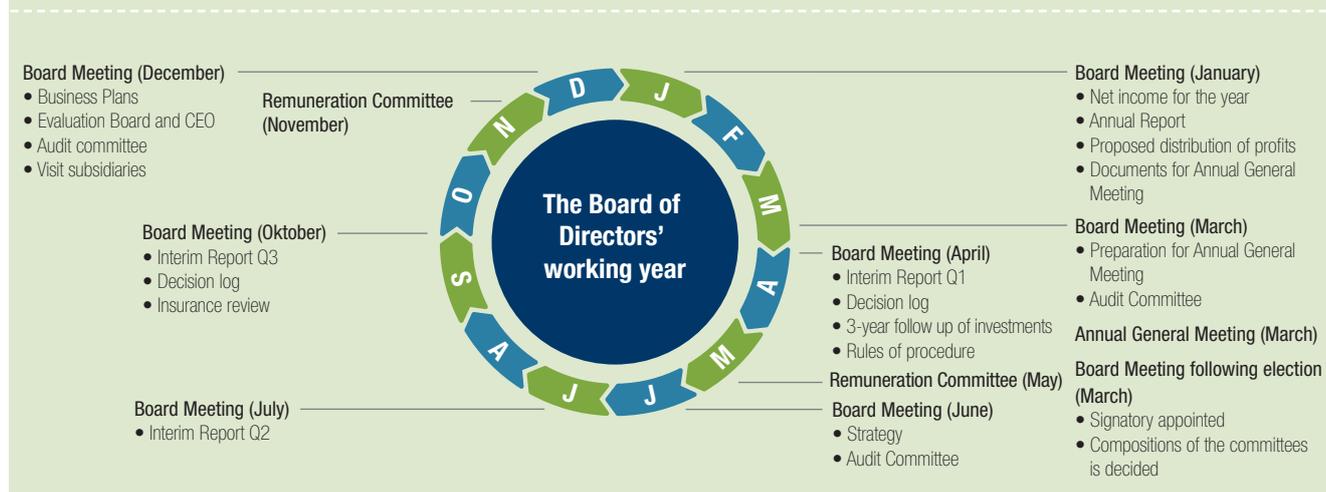
For Board decisions the rules of the Companies Act apply, stating that at least half of the board members present and more than one third of the total number of board members must vote in order for a decision to be made. On equal count the Chairman has the deciding vote. The Board's work is governed by the Swedish Companies Act, the Code and the Board's rules of procedure.

The Board of Directors responsibility

According to the Swedish Companies Act and the board of directors' rules of procedure, the Board is responsible for outlining overall, long-term strategies and objectives, budgets and business plans, reviewing and establishing the accounts, as well as making decisions on issues regarding investments and significant changes in Castellum's organization and operations. The Board appoints the company's Chief Executive Officer and sets remuneration and other terms of employment benefits for the CEO.

The Board's year

issues besides current state of operations, prospects, investments, sales och financing



The Board of Directors' rules of procedure

The board of directors' rules of procedure are set annually. The rules of procedure describe the work of the Board and the distribution of responsibility between the Board and the Chief Executive Officer. The rules of procedure also state which topics should be dealt with at each Board meeting and give instructions regarding the financial reporting to the board of directors.

The rules of procedure also prescribe that the Board shall have an audit committee and a remuneration committee. The Chairman of the committees should be the Chairman of the board of directors.

The Chairman of the Board of Directors

The Chairman of the board of directors is responsible for making sure that the members of the Board regularly receive information needed from the Chief Executive Officer in order to follow up on the company's financial position, results, liquidity, financial planning and development. The Chairman of the board of directors is also obliged to fulfill decisions made by the Annual General Meeting regarding establishment of an election committee and to take part in the work of the committee.

The Board of directors activities during 2013

During 2013, Castellum's Board has held 10 meetings of which one was a Board meeting following election. According to the prevailing procedural rules, the Board must hold at least seven scheduled board meetings each calendar year, of which one is a Board meeting following election.

Board meetings are held in connection with the publication of the company's reports, year end, proposed appropriation of profits and issues relating to the AGM (dealt with in January), interim accounts (April, July and October), strategy (June). The Business Plan for the next year is dealt with at the meeting held in December.

At each of the scheduled Board meetings, matters of significance for the company, such as investments, sales of properties and funding are covered. Furthermore, the Board is informed about the current state of operations and the rental and real estate markets as well as the credit and stock markets. The regular matters dealt with by the Board during 2013 included the Business Plan, company-wide policies, overall strategies, the procedural rules for the Board, the capital structure and funding needs, and the company's insurance situation.

During 2013, the Board has made an external evaluation of its work which demonstrated an open and constructive climate and well-functioning decision making. The evaluation and following discussion in the Board serves as a basis for the continuous development of the Board's work and ensures that the Board can make decisions which are as well-informed as possible.

The evaluation has been handed over to the election committee and the Board for discussion. The evaluation covers topics such as working climate, working procedures in the business process, crisis management, follow-up and control systems, morals, ethics and communication.

No other compensation beside the remuneration has been paid.

Remuneration committee

The Remuneration Committee consists of three Board members and functions according to the following:

- Prepares, according to remuneration principles, remuneration and other employment terms for the CEO and senior executives. The guidelines for remuneration of senior executives are to be submitted to the Board and decided upon at the Annual General Meeting,
- Decides on outcome of the current incentive program,
- Monitors and evaluate ongoing and completed incentive plans for senior executives. The evaluation is to be presented on the company's website,
- Annually evaluates the work of the Chief Executive Officer and, where appropriate, deal with issues concerning the appointment of a CEO.

The Remuneration Committee shall meet at least twice a year. During 2013, the Committee held four meetings. Issues addressed at the meetings included the review of the remuneration of the CEO and Group Executive, decisions about changes in the remuneration of members of executive management and evaluation and follow up of previous incentive programs. In 2013, the Remuneration Committee also made an external evaluation of CEO's efforts and prepared individually targeted factors under the annual profit based incentive program.

Audit committee

The Audit Committee, which consists of all members of the Board, functions as follows:

- Reviews and monitors both financial control as well as internal audit and risk management,
- Keeps informed about the Annual Report and consolidated accounts,
- Review and monitors the auditor's impartiality and independence, and evaluates auditing activities and informs the election committee of the outcome of the evaluation,
- Assists the Committee in preparing proposals for auditors and compensation to them.

The Audit Committee will meet at least three times a year, and of these, the Group's auditors will attend at least twice. On one of the occasions when the Audit Committee meets with the auditors, no one from corporate management is to be present.

In 2013, the Audit Committee met four times. Some of the issues attended to at the meetings involved for example financial reporting, included review of future regulations and their possible consequences for Castellum, internal control and risk management, and the work of the auditors – including their impartiality and independence.

Also on the agenda was procurement and preparation for the appointment of auditors for the 2014 AGM. A number of leading accounting firms have participated in the procurement procedure, and upon evaluation, the Audit Committee recommended that the Board and the Election Committee nominate authorized public accountants Hans Warén (Deloitte), Magnus Fredmer (EY) and Fredrik Walméus (Deloitte) – the latter as deputy auditor.

Board of Directors



	<p>Charlotte Strömberg Chairman of the Board Born 1959, Master of Business Administration and Economics.</p>	<p>Per Berggren, Board member Born 1959, Master of Science KTH and economic education from Stockholm University. CEO of Hemsö Fastighets AB.</p>	<p>Marianne Dicander Alexandersson Board member Born 1959, Master of Science.</p>	<p>Ulla-Britt Fräjdin-Hellqvist, Board member Born 1954, Master of Science. Own operations in Fräjdin & Hellqvist AB.</p>
Previous positions	CEO for the nordic business at Jones Lang LaSalle, leading positions in investment banking at Carnegie Investment Bank and Alfred Berg (ABN AMRO).	CEO of Jernhusen AB, division manager in Fabega AB, CEO of Drott Kontor AB and property manager in Skanska Fastigheter Stockholm AB.	CEO Sjätte AP-fonden and CEO Kronans Droghandel and Global Health Partner AB, deputy CEO of Apoteket AB and positions within Volvo, ICI, Pharmacia.	Executive positions within Volvo Personvagnar and Head of Department in Confederation of Swedish Enterprise.
Other assignments	Director in Boomerang AB, Fjärde AP fonden, Intrum Justitia AB (publ), karolinska Institutet, Skanska AB (publ) and Swedbank AB (publ).	Board member in BRIS	Director of Mölnlycke Healthcare AB.	Chairman of the Board in Kongsberg Automotive ASA and SinterCast AB. Board member in Data Respons ASA, e-man, Fouriertransform, Micronic Mydata, Stockholm Environment Institute, Tällberg Foundation and Vindora Holding.
Elected	2012	2007	2005	2003
Remuneration, SEK	555	280	250	280
Attendance, Board meetings	9/9	9/9	9/9	9/9
- Remuneration Committee	3/3	3/3	–	3/3
- Audit Committee	4/4	4/4	4/4	4/4
Shareholdings in Castellum AB	5,100	2,700	3,030	800
Independent	Yes	Yes	Yes	Yes



	<p>Christer Jacobson, Board member Born 1946, Master of Business Administration and Economics DHS. Own operations in Bergsrådet Kapital AB.</p>	<p>Jan Åke Jonsson Board member Born 1951, education in computing and business administration from Högre Tekniska Läroverket in Linköping and Uppsala University.</p>	<p>Johan Skoglund, Board member Born 1962, Master of Science KTH and the program of Master of Science Handelshögskolan, Stockholm. CEO JM.</p>	<p>Johan Ljungberg, Secretary of the Board Born 1974, Secretary of the Board since 2008. Lawyer, Mannheimer Swartling Advokatbyrå.</p>
Previous positions	Stock commentator and market manager at Affärsvärlden and Head of Analysis and CEO of the Alfred Berg-group.	CEO at Saab Automobile AB and different operational management positions in Saab Automobil and General Motors.	Has experience since 1986 from JM AB in different positions.	
Other assignments	Director in Global Challenges Foundation. Viscogel AB and Max Matthiessen Värdepapper AB.	Chairman of the board of directors of Polstiernan Industri AB, Bythjul i Norden AB, Västkustens Affärs-änglar AB and Datachassi AB. Boardmember of Stiftelsen Högskolan i Jönköping and Opus Group AB.	Director of JM AB, Mentor Sverige and Infranord AB.	
Elected	2006	2012	2010	
Remuneration, SEK	250	250	250	
Attendance, Board meetings	8/9	9/9	8/9	
- Remuneration Committee	–	–	–	
- Audit Committee	3/4	4/4	4/4	
Shareholdings in Castellum AB	40,000	1,000	3,000	
Independent	Yes	Yes	Yes	

The information above refers to the situation in the end of January 2014. Shareholdings include own holdings and those of spouse, minors or children living at home and associated companies and holdings through capital assurance.

During the year, the Audit Committee has also held a private meeting with the compliance officer without the presence of management.

The Board has decided to establish a separate Audit and Finance Committee, effective from the 2014 AGM, and this will consist of three members of the Board, including the Chairman of the Board.

Audit

Castellum's auditors are elected by the AGM for a period of three years. The present period began in 2011 and the next election will therefore take place at the AGM in 2014. The company's auditors are Magnus Fredmer, who works at EY and deputy auditor Conny Lysér, who works at KPMG. Both are certified public accountants.

Auditor Carl Lindgren, who has been an auditor of the company since 2007, left his profession as auditor in 2013 and thereby left as auditor for Castellum, in connection with the AGM 2013. Deputy auditor Conny Lysér, as deputy auditor, replaced Carl Lindgren for his remaining mandate, i.e. until the 2014 AGM.



Magnus Fredmer
Born 1964
Company's auditor since 2011



Conny Lysér
Born 1962
Company's deputy auditor since 2003

Remuneration to auditors

thousand SEK	2013	2012	2011
Audit assignment	2,535	2,610	2,671
Audit business in addition to the audit assignment	236	221	313
Tax consulting	1,075	1,481	1,599
Other consulting	739	8	–
Total	4,585	4,320	4,583
of which KPMG	4,349	4,127	4,184
of which Ernst & Young	236	193	399

Executive group management

Officer, the Deputy Chief Executive Officer, with responsibility for business development, the Financial and Finance Directors of Castellum AB and the six Managing Directors of the Subsidiaries. Each member of the executive group management has their own area of responsibility and at the meetings, mostly issues of overall operations are covered. The executive management has held 11 meetings in 2013.

During 2013 a head of business development has been appointed in Castellum AB (publ), who will be a part in the Executive group management. The Chief Executive Officer and the Finance Director together with the Managing Director of each Subsidiary constitutes the Board for each local subsidiary.

The chief executive officer

The Chief Executive Officer is responsible for the company's day-to-day operations and for leading operations according to the guidelines and directives submitted by the Board of Directors and for providing the Board with information and the necessary background/documentation for decision-making. The Chief Executive Officer also reports at the Board meetings and is to assure that members of the Board regularly receive the information required to follow the company's and the Group's financial position, results, liquidity, and development.

Guidelines for remuneration for senior executives

The AGM 2013 decided on the following guidelines for remuneration for senior executives:

Castellum is to uphold the remuneration levels competitive and terms of employment required in order to recruit and maintain excellent management with the competence and capacity to achieve set objectives. A fixed salary will be paid for work performed in a satisfactory manner. In addition, flexible remuneration under an incentive plan may also be offered. The formulation is based on the objective of interconnecting the executive team's interests with shareholder interests and that senior management members also are shareholders in Castellum. Moreover, it entails that an increased proportion of total remuneration is directly connected to the Group's development. This flexible remuneration will aim to promote long-term value creation within the Group. Flexible remuneration which generally cannot exceed the fixed salary is determined by how far in advance its objectives for growth in property management earnings-per-share and share-price-development are achieved. It is also determined by how well soft factors, such as customer and employee satisfaction, are developed. Flexible remuneration is paid as non-pensionable salary. Executives who receive flexible remuneration are committed to acquiring Castellum shares for at least half the amount of flexible remuneration after tax.

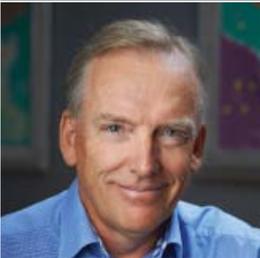
The pension terms of the executive management are to be set according to general market practice and will be based on pension plans with fixed payments.

Upon termination by the Company, such period of notice shall not exceed 24 months for the Chief Executive Officer and 12 months for other executives, with the obligation to work the first six months. During the notice period full salary and other benefits are paid, less pay and compensation received from other employment. Castellum has followed the guidelines decided by the AGM 2013.

The proposed guidelines for remuneration for senior executives which will be put forward at the AGM on March 20, 2014 are in principle unchanged compared with those put forward at the AGM in 2013. At the AGM March 21, 2013, a renewed incentive plan for members of the executive management was decided, which in principle is an extension of the existing program. In respect of the annual profit-based bonus, the incentive program is to be applicable for 2014, 2015, 2016, and for the share-priced-based bonus, the effective period is June 1st, 2011–May 31, 2017.

For further information regarding remuneration see note 10.

Executive Group Management

				
<p>Henrik Saxborn Chief Executive Officer, Castellum AB</p> <p>Born 1964, Master of Science.</p>	<p>Anette Asklin Financial Director, Castellum AB</p> <p>Born 1961, Master of Business Administration and Economics.</p>	<p>Tage Christoffersson Managing Director, Eklandia Fastighets AB ¹⁾</p> <p>Born 1952, upper secondary school and real estate/economy at KTH.</p>	<p>Ulrika Danielsson Finance Director, Castellum AB</p> <p>Born 1972, Master of Business Administration and Economics.</p>	<p>Claes Junefelt Managing Director, Fastighets AB Corallen</p> <p>Born 1960, Master of Science.</p>
<p>Long experience from both construction business, management and acquisitions of properties, i.e. as CEO for a property management company. Employed since 2006.</p>	<p>More than 20 years experience from bank and finance. Employed since 2000 and Financial Director since 2006.</p>	<p>Has been working in the real estate business since 1976. Employed since 1994 and Managing Director of Eklandia since 1995.</p>	<p>Experience within the financial and controlling function. Employed since 1998 and Finance Director since 2006.</p>	<p>More than 15 years experience from building construction as team manager/district manager. Employed and Managing Director of Corallen since 2005.</p>
Shareholdings: 26,342	Shareholdings: 32,400	Shareholdings: 56,000	Shareholdings: 9,000	Shareholdings: 13,320
				
<p>Claes Larsson Managing Director, Aspholmen Fastigheter AB</p> <p>Born 1957, Master of Science.</p>	<p>Anders Nilsson Managing Director, Fastighets AB Brostaden</p> <p>Born 1967, Master of Science.</p>	<p>Christer Sundberg Managing Director, Harry Sjögren AB</p> <p>Born 1955, Master of Science.</p>	<p>Gunnar Östenson Managing Director, Fastighets AB Briggen ²⁾</p> <p>Born 1956, Master of Business Administration and Economics.</p>	
<p>More than 10 years experience from building construction as team manager/district manager. Employed and Managing Director of Aspholmen since 2002.</p>	<p>More than 15 years experience from the real estate business. Employed since 1993 and Managing Director of Brostaden since 2006.</p>	<p>More than 25 years experience from banks and real estate companies. Employed and Managing Director of Harry Sjögren AB since 1993.</p>	<p>Previous experience from real estate management and the construction industry. Employed and Managing Director of Briggen since 2006</p>	
Shareholdings: 26,600	Shareholdings: 10,534	Shareholdings: 51,275	Shareholdings: 12,600	

The information above refers to the situation in the end of January 2014. Shareholdings include own holdings and those of spouse, minors or children living at home and associated companies and holding through capital assurance. Concerning the CEO he has no significant shares or ownership in companies who Castellum has significant business relations with.

¹⁾ As previously announced, Tage Christoffersson is appointed as Head of Business Development at Castellum AB - a new role that will be part of the Executive Group Management – with effect during the first half of 2014. Cecilia Fasth is appointed as new MD of Eklandia Fastighets AB.

²⁾ As announced January 24, 2014, Gunnar Östenson has resigned at his own request as MD of Fastighets AB Briggen. The process of recruiting a new MD of Fastighets AB Briggen is ongoing.

Internal control

According to the Swedish Companies Act and the Swedish Code for Corporate Governance, the Board of Directors is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Code for corporate governance and is therefore limited to internal control regarding financial reporting.

Internal control in Castellum follows an established framework, Internal Control – Integrated Framework, "COSO", comprising the following five components: control environment, risk assessment, control activities, information-and-communication, and monitoring.

Control environment

The basis for internal control of financial reporting comprises a control environment, which consists of various parts that form Castellum's management culture and values. The fundamentals for Castellum's internal control comprise the following: a decentralized small-scale organization with over 600 properties, as well as cost centres, which are managed by six Subsidiaries, each with approx. 35–45 employees. The decision-making processes, authorizations and responsibilities which have been drawn up and communicated in documents such as the Board of Directors' rules of procedure, rules for decision making, rules for authorization, accounting and reporting manuals, internal policies and manuals, etc., are also important for internal control. Documents in use are updated regularly to reflect changes in legislation, accounting standards or listing requirements etc.

Risk assessment

At Castellum, risk management is built into our processes and various methods are used to evaluate and limit risks. We secure that the risks Castellum is exposed to are managed in accordance with set policies and guidelines. In

accordance with the rules of procedure, the Board of Directors, and the Audit Committee, review internal control once a year. Identified risks are assessed and measures are set to reduce these risks. The important risks Castellum has identified in financial reporting are errors in accounting and valuation of properties, interest-bearing liabilities, taxes and VAT, as well as the risk of fraud, loss or embezzlement of assets.

Control activities

The risks identified in financial reporting are addressed by the company's control structure, resulting in a number of control measures. The control measures aim to prevent, discover and correct errors and deviations. They comprise analytical reviews on many levels in the organization: comparisons of income statement items; reconciliation of accounts; follow-up and reconciliation of Board decisions and policies set by the Board; authorization and reporting of business transactions; structure for proxy and authorization; authorized signatory; compliance-officer activities; group-wide definitions; templates and tools for reporting as well as accounting and valuation principles.

Castellum subsidiaries have their own financial functions, which take part in the planning and follow-up of financial results for their units. The regular self-analysis of unit financial reporting and the analysis made at Group level constitute an important part of internal control. This ensures that financial reporting does not contain any significant errors.

Information and communication

Castellum has processes for information and communication that aim to ensure the effective and correct distribution of information regarding financial reporting. This demands that all areas of the operation communicate and share relevant and important information. Policies and guidelines

Castellum's internal control environment



The internal control is governed by

- Board of Directors' rules of procedures
- Rules for decision making
- Instructions for authorization
- Accounting manuals
- Reporting manuals
- Policies, guidelines, manuals and Code of Conduct

regarding financial reporting as well as updates and changes are made available and clearly communicated to the personnel concerned. The executive management as well as the Board of Directors regularly receive financial information about the subsidiaries with comments on financial results and risks. The Board of Directors also receives additional information regarding risk management, internal control and financial reporting from the auditors through the Audit Committee. In order to ensure that the external distribution of information is correct and complete, we have both a policy for communicating with the stock market and an information security policy.

Company culture

That Castellum's operations are conducted in a responsible way is a prerequisite for the company's long-term successful business. The objective is to make sound and proper business decisions in all respects high business morality, good business ethics, responsibility awareness and impartiality. The base of Castellum's code of conduct is to offer good quality and service, to follow laws and regulations, not to discriminate against anyone and to create good working environment and safety.

Corner stones for Castellum's company culture has been: The decentralized organization, which creates responsibility and committed employees, where each single colleague is a business collaborator. The geographical proximity to customers, community, suppliers and other parties involved creates a responsibility to act correctly and businesslike.

In Castellum's flat organization each employee has an important role and new ideas are valued, as well as a high level of competence is available within the organization.

When Castellum was established clear guidelines were formed, where the work is carried out in structured processes, creating order and clarity and thus guarantee credibility and quality in the work. The flat organization provides a natural transparency and quality assurance.

Monitoring

Regular follow-ups take place on many levels in the Group, on both property-level and Subsidiary-level as well as Group level. The Board of Directors, which also makes up the Audit Committee, regularly evaluates the information provided by company management and the auditors. The company's auditors also report in person directly to the Audit Committee at least twice a year re their observations from the audit and their assessment of internal control. In addition, the Audit Committee conducts an annual review of the risk assessments and agreed-upon measures. Monitoring by the Audit Committee and the Board of Directors is of particular importance for the development of internal control and for ensuring that measures are taken for possibly emerging shortcomings and suggestions.

The need for internal audits

Castellum features a small-scale organization with approx. 35-45 employees in each company. Together, these units manage over 600 cost centres. All property management is run by the Subsidiaries while financial management is taken care of by the parent company's treasury department. This means that Castellum AB is not a profit centre. It places the financial function of the parent company in the twin roles of a controlling function for the Subsidiaries as well as a compliance-officer function for the treasury department. The finance director in the parent company also report directly to the Audit Committee, without other management attendance, observations made and measures relating to compliance. In all, this structure provides a rationale for the assessment that there is no need for a special internal auditing unit.



Auditor's report

To the annual meeting of the shareholders of Castellum AB (publ), corp. id. 556475-5550

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Castellum AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-96.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Castellum AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

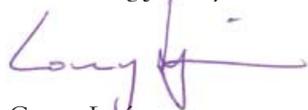
As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

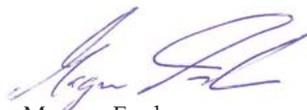
Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg January 31, 2014



Conny Lyser
Authorized Public Accountant
Deputy auditor who has replaced auditor



Magnus Fredmer
Authorized Public Accountant

Former auditor's notification according to Chapter 9, 23 and 23 a §§ Swedish Companies Act

To Bolagsverket

22-03-2013

Registration and report according to Chapter 9, 23 and 23 a §§ Swedish Companies Act för Castellum AB, registration no 556475-5550

My mission as auditor of the company has ceased prematurely by my request 22-03-2013.

No circumstances that causes any remark in this report has come to my attention.

Notification according to Chapter 9, 23 a § Swedish Companies Act (2005:551)

The reason for my assignment to end prematurely is that I will not exercise my profession as authorized public accountant for the whole 2013, since I will quit as auditor before year end.

Stockholm 22-03-2013



Carl Lindgren

Authorized public accountant

cc:

The Board of Directors of Castellum AB

Castellum's notification according to Chapter 9, 23 a § Swedish Companies Act (2005:551)

To Bolagsverket

22-03-2013

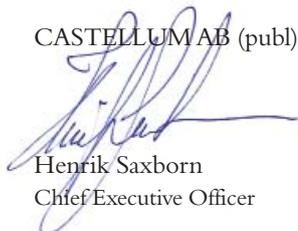
Auditor's premature termination – Castellum AB (publ), registration no 556475-5550

Carl Lindgren has today, to the Board of Directors of Castellum AB (publ), reported that he, as of today, prematurely resigns as auditor of Castellum AB (publ).

The reason for the prematurely termination is that Carl Lindgren will not practice his profession as authorized public accountant for the whole 2013, since he will resign as accountant before year end.

Yours sincerely

CASTELLUM AB (publ)



Henrik Saxborn

Chief Executive Officer